



ECONOMIC PROGRESS

Labour squeeze: Is immigration the answer to widespread worker shortages?

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Immigration can ease worker shortages but not everyone's in favour. Image: Photo by Refat Ul Islam on Unsplash

John Letzing

Digital Editor, Strategic Intelligence, World Economic Forum

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- A number of countries are enduring prolonged worker shortages.
- Many are responding by trying to draw in additional foreign labour.
- But doing so in a meaningful way can be more complicated in some places than in others.

Several years after a [financially strapped](#) New York City was denied federal assistance in 1975, it commenced a period of economic revival mostly remembered in terms of zealous, [broken-windows](#) policing and a deep cleanse of [Times Square](#).

But the real key ingredient? [Immigrants](#).

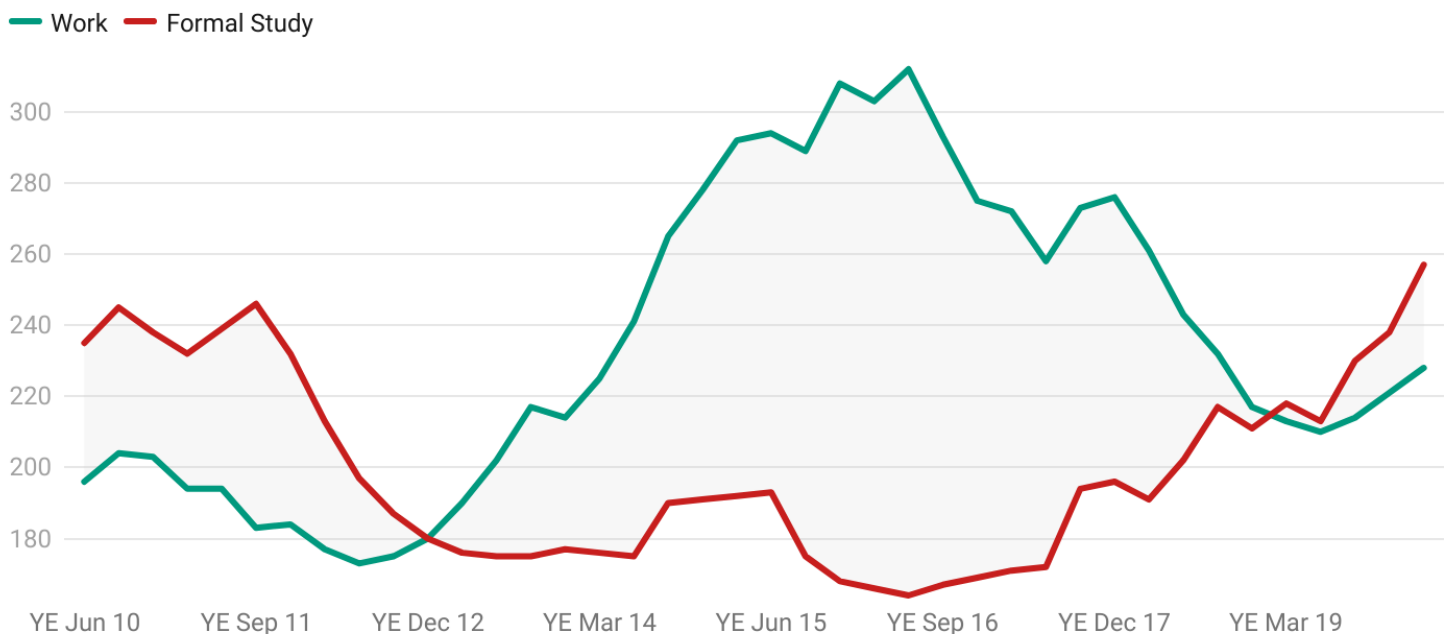
An influx of newcomers led to a population turnover in the 1990s that was [nearly double](#) the average in the country's other big cities. That [shored up](#) New York's headcount and [fueled](#) a remarkable [rebound](#). By the end of the decade, [nearly half](#) of



As countries now seek to avoid the worst of a **predicted** global economic slowdown, many are smacking head-first into a shared **obstacle**: too few workers. Some are **turning the dials** on immigration restrictions in response and embracing more foreign-born labour in an echo of **1990s-era** New York. But in other places, that isn't a readily available option.

The calculated use of nationalism and prejudice can hinder meaningful immigration reform and, in **certain cases**, has **aggravated** worker deficits – drawing a bright line under the practical shortcomings of **xenophobia**.

Countries that have been able to make adjustments include Portugal, which created a **new type** of visa to draw in **more foreigners** to work in sectors like construction and tourism. Spain **relaxed** immigration rules to fix its labour shortage, and Canada **will welcome** more than 1.3 million permanent residents in the next few years, including via a new “targeted selection process.” Germany, **faced** with \$85 billion in annual costs due to a worker shortage, is **simplifying** its immigration system.



Source: House of Commons Library • Created with Datawrapper

Spain relaxed immigration rules to fix its worker shortage, and Canada will welcome more than 1.3 million permanent residents in the next few years, including via a new “targeted selection process. Image: World Economic Forum

Australia, which has been “[in the grip](#)” of a nationwide shortage, recently [expanded](#) the number of permanent migration visas it makes available. But that only followed a transition to a new government, which inherited a [serious](#) visa backlog.

In other places, meaningful change may be slower to materialize. And that risks further undermining a global interconnectedness that’s provided greater opportunity and growth for decades, according to the most recent [Chief Economists Outlook](#).

Counting on the 'great unretirement'

In the UK, which severed a [primary source](#) of foreign labour from the European Union with its 2016 Brexit vote, immigration remains a delicate issue. The Home Secretary recently [resigned](#) partly due to concerns that the government won’t further restrict



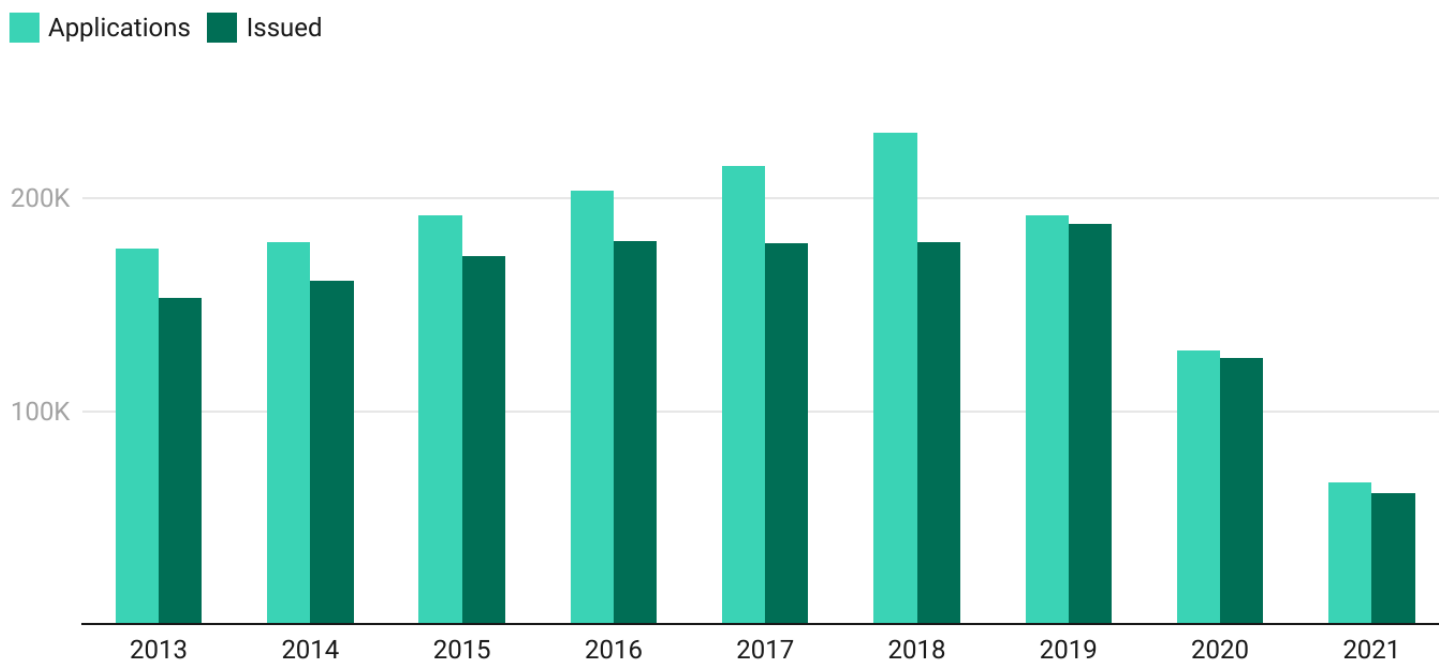
The US is also dealing with [populist currents](#); advocates for expanding access to work visas in order to ease labour shortages risk being [dragged into](#) debates about [security](#) and [identity](#). Legal work-related immigration has fallen by [a third](#) since 2020.

In all of these countries, COVID-19 has left its own mark by [reshuffling](#) workforces – and all of the pieces don't seem to have yet fallen back into place.

One type of worker has been re-joining local labour pools and helping address shortages, but maybe not under ideal circumstances. Many older people are finding they have no choice but to go back to work [due to the rising cost of living](#), as part of what's been dubbed the “[great unretirement](#).”

Temporary 'specialty occupation' workers in the US

Applications for temporary H-1B work visas in the US and visas issued by year



Source: US Department of State • Created with Datawrapper

One thing that places with worker shortages share: their homegrown populations are getting old, and not everyone may be in a position to “unretire” anytime soon Image: World Economic Forum



balance, avoiding the appearance of short-changing the native population but also attracting the workers they need. The “specialty occupation” H-1B work visa in the US is a [good example](#). Businesses say they [need more](#), politicians see the [danger](#) in greenlighting them.

One thing that places with worker shortages share: their [homegrown](#) populations are [getting old](#), and not everyone may be in a position to “unretire” anytime soon. The ageing of Europe's healthcare workers, in particular, was noted in a [recent report](#) published by the WHO, which found that 40% of doctors were 55 or older in many of the countries it surveyed.

Having to replenish the workforce occasionally is not a new concept. In the UK, for example, the [Windrush Generation](#) of immigrants from the Caribbean [helped rebuild](#) the country's weakened economy after World War II.

And now that one credit rating agency is predicting a “[1990-style](#)” recession in the US, it's worth recalling not just the role of immigration in the economic revival that was getting underway in New York City in that year – but also its role in bolstering the country's [financial strength](#) for [centuries](#).

More reading on worker shortages and immigration

For more context, here are links to further reading from [the World Economic Forum's Strategic Intelligence platform](#):

- The number of households in China hiring “home help” including nannies and cleaners tripled between 2010 and 2020, according to this report; the sector's now facing a shortage of about 20 million workers, largely due to the stigma associated with it. ([YiCai Global](#))
- “The price point for Australian visas indicates that Australia believes it is selling something that other countries don't have.” This piece argues that importing skills from overseas and bolstering those of people already in the country isn't an either/or proposition. ([The Diplomat](#))



- 1.3 million. That was the collective worker shortage for the construction, retail, and accommodation and food services industries in the US this past summer, and this analysis contrasts it with the 1 million workers deported back to Central America since 2009. ([Brookings](#))
- The US needs to act now to alleviate its worker shortages before they get even worse, according to this piece, which maps out related quality-of-life impacts and suggests immigration can play a key role. ([Niskanen Center](#))
- A matter of experience? Concern about migration and refugees is high in Germany, according to this study – which explores the unique attitudes people in places that previously absorbed many “ethnic” Germans from the former Soviet Union in the 1990s now have towards other newcomers. ([DIW Berlin](#))
- The “complementarity index” presented in this piece suggests that millions of immigrants to the US work in occupations central to the rest of the workforce – supporting millions of American jobs. ([Brookings](#))

On the [Strategic Intelligence](#) platform, you can find feeds of expert analysis related to [Economic Progress](#), [Migration](#) and hundreds of additional topics. You’ll need to register to view.

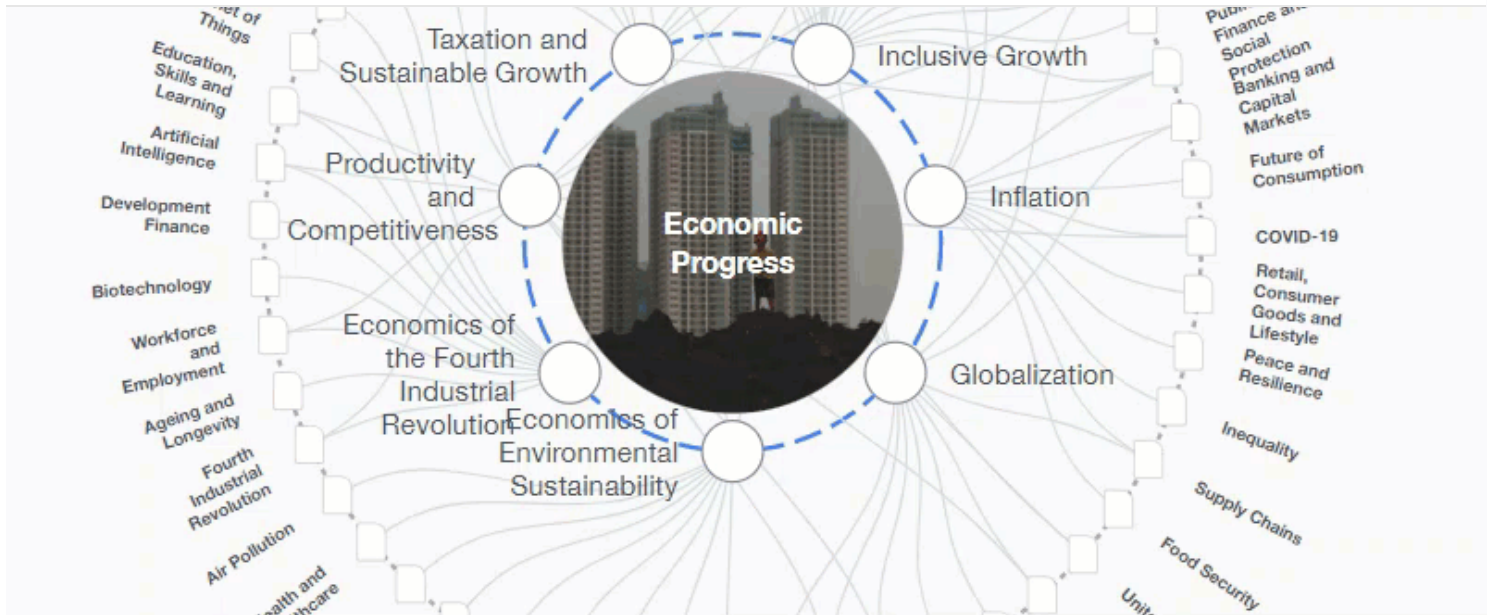


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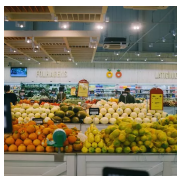
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